E/ECA/TRADE/90/11

ECONOMIC COMMISSION FOR AFRICA

REPORT
OF THE INTERGOVERNMENTAL GROUP OF EXPERTS ON PROSPECTS FOR SOUTH-SOUTH TRADE PROMOTION IN PROCESSED AND SEMI-PROCESSED PRODUCTS

(Addis Ababa, 2-5 October 1990)

A. OPENING OF THE MEETING

1. The Meeting of the Intergovernmental Group of Experts on Prospects for South-South Trade Promotion in Processed and Semi-Processed Products was held in Africa Hall, Addis Ababa, Ethiopia from 2 to 5 October 1990. The meeting was opened by the Deputy Executive Secretary of the Economic Commission for Africa Mr. M. Tchouta-Moussa.

2. In his opening statement, Mr. M. Tchouta-Moussa welcomed the participants to the first ever regional meeting on problems of South-South trade promotion and referred to a number of important international strategies aimed at achieving collective self-reliance among developing countries. For instance, the contents of the Mexico City Conference on Economic Co-operation among Developing Countries, the Arusha and Caracas Programmes of Action that recognized the catalyst role of trade in accelerating economic development among Third World countries. He also highlighted a number of potential benefits inherent in expanding South-South trade in manufactures for the African continent including greater dynamism of the industrialization process, diversification of the export base and more balanced trade with other developing regions likely to make it one of the fastest growing sectors of world trade.

3. Mr. M. Tchouta-Moussa then drew attention of the participants to the existence of a significant number of products with potential for expanding interregional trade in processed and semi-processed goods. But he also referred to several conditions which needed first have to be met to enhance such trade, in particular, restructuring Africa's production and creating a broad framework for the successful growth of such trade, including reduction of tariff and non-tariff barriers, co-operation in production, co-financing and joint ventures. One of the major steps in increasing these trade flows was the strengthening of the Global System of Trade Preferences among Developing Countries (GSTP).

4. He concluded by reiterating the need to give a new impetus to initiatives already undertaken towards the promotion of South-South trade and economic co-operation and urged the participants to formulate specific recommendations and proposals in that regard.

B. ATTENDANCE AND ORGANIZATION OF WORK

5. The meeting was attended by the representatives of the following countries: Algeria, Burundi, Cameroon, Cote d'Ivoire, Egypt, Ethiopia, Ghana, Guinea, Liberia, Libya, Malawi, Niger, Nigeria, Rwanda, Senegal, Tunisia, Uganda, Zambia and Zimbabwe.

6. The following organizations were present at the meeting as observers: The United Nations Conference on Trade and Development (UNCTAD), the United Nations Development Programme (UNDP), the International Trade Centre UNCTAD/GATT (ITC) and the Organization of African Unity (OAU).

Election of the Bureau

7. The meeting elected the following countries to constitute the bureau:

Chairman	Nigeria
Rapporteur	Malawi

Adoption of the Agenda and Organization of Work

8. The following agenda was adopted by the meeting:

(1) Opening of the meeting
(2) Election of the bureau
(3) Adoption of the agenda and organization of work

(4) Consideration of the report "Processing of African raw materials into useable and tradeable products" ECA/IND/GEN/1/89

(5) (a) Consideration of the report "Prospects for trade promotion in processed and semi-processed products between Africa and other developing regions"

(b) Consideration of the report "The role of South-South trade in promoting export diversification and development in Africa, problems and prospects"

(c) Consideration of the report "Intra-African trade potential and possible programme of action for the promotion of trade among developing countries"

(6) (a) Discussion of policy implications of South-South trade in semi-processed products

(b) Discussion of strategies and measures for enhancing South-South trade in manufactured products

(7) Conclusions and recommendations

(8) Any other business

(9) Adoption of the report and closure of the meeting

C. ACCOUNT OF PROCEEDINGS

9. Before agenda item 2 was adopted, several delegations deplored the fact that facilities for interpretation into French language had not been provided by the secretariat and that this should have been seriously considered by the organizers as adverse and likely to preclude a great number of African delegations in a region in which both French and English were the standard media of communications. In other words, those unable to use the English language were prevented from effective participation in the deliberations of the meeting. In response to the issue raised, the secretariat informed the meeting that the fact had been brought to the attention of the member States four weeks earlier as soon as it was known that facilities for interpretations were not going to be available for meeting. Some delegations also raised the issue of there being too many meetings being held with limited impact on member countries. A suggestion was nonetheless made to convene similar meeting for French-speaking African countries in the near future.

Agenda Item 4: Consideration of the report "Processing of African raw materials into useable and tradeable products"

10. A representative of the secretariat introduced the document ECA/IND/GEN/1/89 - "Processing of African raw materials into useable and tradeable products" as background to the discussion that followed under this agenda item. His introductory statement highlighted that Africa is endowed with abundant natural resources. However, for a long period

of time, the region has remained an exporter of these resources in their raw form. He also pointed to the fact that this situation was due to both external and internal factors that continue to constrain local processing of African raw materials.

11. Among some of the major external factors he listed were the a decline in the use of Africa's exports of the traditional importing countries, the lack of technological innovations and know-how. Internal factors hampering the processing of African raw materials on the other hand, included non-conducive policies and strategies, inadequate planning of projects, lack of adequate infrastructure, lack of skilled manpower and technical know-how, and scarcity of financial resources to meet the requirements of processing industries. Referring to some of the existing African industries, he pointed out that they generally depended on imported inputs and were therefore not quite suited for sustainable processing strategies. He concluded by mentioning some of the expectations which could possibly be brought about during the Second Industrial Development Decade for Africa (IDDA) especially that the African countries should take steps to build on experiences gained from the first regional industrial programme.

12. In the discussion that followed, a number of problem areas affecting processing of African raw materials were critically analysed by the delegates drawing on countries practical experiences. Among these were the lack of industries to produce tradeable goods and lack of storage facilities, particularly, where there existed surplus production, the lack of planning and marketing research to ensure dependability and consistency in supply, lack of enabling national policies for active participation by the private sector, lack of financial resources and adequate mechanisms for exchange of information both at sub-regional and regional levels with a view to creating awareness in the availability of products and technologies.

13. The example of the Nigerian government to source raw materials locally for a number of its industries was greatly appreciated by the meeting. The Government of Nigeria had established a Raw Materials Research and Development Council (RMRDC) that had been given the mandate to draw up policy guidelines on raw materials acquisition,

exploitation and development among others. The RMRDC had thus established a number of programmes including establishing an inventory of raw materials availability and utilization, technology requirements of existing industries and sources. One of the results obtained from this work was the successful substitution of imported barley malt with sorghum for production of local alcoholic and non-alcoholic beverages.

14. In the light of the ensuing discussion, the meeting concluded by urging African countries, individually and collectively, to take immediate measures not only to arrest but also to reverse the trend in deindustrialization. It also called for accelerating the processing of Africa's abundant raw materials. To this end, the meeting adopted the following recommendations:

A. <u>At National Level</u>

(a) Continue to review, inventorize and explore raw materials and energy resources;

(b) Continue to plan and develop renewable sources of raw materials and energy;

(c) Maximize the utilization of existing processing units by rehabilitating, expanding and/or diversifying them, if and when justified;

(d) Intensify provision of assistance (R & D, technical, financial and managerial) and incentives to nationals in:

(i) production, processing and marketing of agricultural commodities,

(ii) animal husbandry and processing and marketing of animal products;

(iii) conservation, afforestation, reforestation, as well as processing and marketing of forest products;

(iv) fishing and fish preservation, processing and marketing;

(e) Ensure integration of raw material production/exploitation and processing for existing processing facilities as well as projects through co-ordination of programmes and activities by ministries and other Government institutions responsible for planning, implementing and monitoring the production and processing of raw materials;

(f) Give priority to local products in Government purchases;

(g) Encourage R&D, design, prototype (multipurpose, where possible) development and commercialization of equipment for processing agricultural commodities;

(h) Take measures to develop local production of raw materials or their substitutes with a view to replacing imported raw materials;

(i) Establish a new form of dialogue between the public and private sector for the latter's active participation in processing, manufacturing and marketing;

(j) Research and Development for raw materials utilization should be given priority and a national body should be established to deal with this issue;

(k) Improving existing storage facilities and encourage the creation of new ones; and

(l) Create proper national mechanisms for follow-up and implementation of these recommendations by designing a proper time framework for the short-term and long-term priorities.

B. <u>At subregional and international levels</u>

(a) Increase the processing of raw materials for which subregional markets exist and which could induce subregional co-operation, particularly

those used by basic industries (metallurgy and chemical) that produce inputs to agriculture and other industries starting with those already identified by the IDDA subregional meetings and adopted by member States of the respective subregions;

(b) In co-operation and with the assistance of interested African and non-African developing countries, carry out market studies for the major and relevant products of basic industries to establish the requirements of the African and non-African developing countries concerned;

(c) Establish mechanisms (committees, working groups etc.) to facilitate contacts, consultations and negotiations with interested non-African developing countries leading to the establishment and operation of joint processing facilities;

(d) In the agricultural sector, encourage specialization in cotton textiles and processing of animal products by the Sahelian countries with a view to meeting the needs of the coastal countries;

(e) Strenthen subregional and regional institutions, such as the African Regional Centre for Technology (ARCT), the African Regional Centre for Engineering Design and Manufacturing (ARCEDEM) and the African Regional Organization for Standardization (ARSO), to more effectively contribute to the processing of African raw materials;

(f) Encourage inter-country study tours and participation in trade fairs at sub-regional and regional levels;

(g) Embark on the establishment of sub-regional and regional Display Centres featuring natural raw materials and available processing technologies;

(h) Establish mechanisms for exchange and facilitating of free flow of information and encourage the establishment of regional raw materials information system;

(i) Give priority to joint ventures in the areas

(i) Give priority to joint ventures in the areas of raw materials processing, equipment brokerage and manpower development both at sub-regional and regional levels;

(j) Undertake to compile international quality standards for industrial raw materials, processed and semi-processed products as well as packaging techniques;

(k) Urge transnational corporations (TNCs) operating in Africa to actively participate and support the continent's drive to develop and expand South-South trade; and

(l) Assist with strategies and plans for proper marketing of products in sectors where Africa has possibilities to expand the export of its semi-processed and processed as well as semi-manufactured and manufactured products.

Agenda Item 5a: Consideration of the report "Prospects for Trade Promotion in Semi-Processed Products Between Africa and Other Developing Countries"

15. Under this agenda item, the meeting had before it as background document "Prospects for trade promotion in semi-processed products between Africa and other developing countries" (E/ECA/TRADE/90/9). The representative of the Secretariat outlined a number of salient features contained in the document covering the historical background to South-South co-operation in general and trade situation of South-South trade in manufactured products; hindrances to Africa's trade in semi-processed products; prospects for promoting South-South trade in manufactured products; measures for enhancing South-South trade in manufactured products and concluded by highlighting the envisaged new dynamism in this area. In dealing with the historical aspects, he referred to the Mexico Conference on Economic Co-operation among Developing Countries, the Arusha Programme for Collective Self-Reliance and the Caracas Programme of Action.

16. He also reviewed Africa's commodity situation in international markets and stressed that South-South trade relations were indispensable to third world countries

economic well-being. He drew for evidence on the experience of the newly industrializing countries that had been able to break into world markets by exporting increased amounts of processed products enabling them to enjoy relatively higher rates of growth in trade. It is against this background that South-South trade in processed and semi-processed products by the African countries required further analysis with a view to finding ways and means of capturing the opportunities it offered in terms of growth and development.

17. Elaborating on some of the constraints that militited against Africa's participation in trade in semi-processed products, he highlighted among others, structural supply-side rigidities affecting production of semi-processed and manufactured products, unavailability of sufficient exportable surpluses, inadequacy of domestic policies and poor resource inflow for investment needed to enhance processing. Other equally significant constraints to resource inflow or generating of investment revenues included the adverse effects of falls and fluctuations in demand for Africa's raw materials. The secretariat representative then pointed out that South-South trade in semi- and processed products could be viewed as supplementary to Africa's efforts towards diversifying trade with a view to facilitating the growth of other sectors of the economy. Africa's potential is clearly demonstrated as in the case of production of consumer goods where value-added accounts for a greater percentage in some countries.

18. The Chairman reiterated the need for the delegates to adhere to the objectives stated in the Aide-Memoire in view of the fact that the ensuing recommendations were to be presented to the next Conference of African Ministers of Trade. He therefore called upon the meeting to:

(i) make a critical review and engage in constructive discussion so as to propose strategies for revitalising trade through the adoption of policies conducive to trade promotion in processed products. The recommendations should be geared towards enabling Africa to respond more effectively to changing pattern of international trade.

(2) propose concrete measures for enhancing South-South trade in semi-processed products taking into consideration existing obstacles to South-South trade. In particular, measures which will go a long way towards rehabilitating the commodity trade towards a more stable trade in semi-processed products.

19. In the discussion that followed, experts acknowledged that Africa's existing potential and prospects for trade in semi-processed and semi-manufactured products could further be enhanced to enable Africa engage in meaningful trade, given the many examples of inroads that some African countries had made in penetrating certain international markets. The issue of diversification by the African countries from primary products into manufactured goods was very fundamental but was greatly constrained by the scarcity of investment resources which not only incapacitated processing but also led to underutilization of some production plants. The meeting noted that current direct investment had dropped to a drastical level that was not enough even to maintain existing plant nor to expand production. Joint ventures could play an important role in financing the needed processing capacities.

20. The meeting felt that the flow of trade information was insufficient to meet requirements of African traders. It was felt that research for more statistical data and information attempts was required in order to make African States aware of supply and demand structures of other countries.

21. The meeting reiterated the belief that African countries required to establish practical strategies that would include authentic African designs and motifs in order that African products could be easily identified in a similar way that Chinese or Brazilian products are marketed in world markets. In this regard, it was agreed that product diversification should adhere strictly to international quality controlled standards.

22. Experts at the meeting also stressed the fact that South-South trade strategies required to be viewed taking account of short-, medium-and long-term perspectives.

While intra-Africa trade may be viewed as a short-term, one Africa's trade with other developing countries has short- and long-term perspectives in terms of complementarities that could enhance its rapid expansion. In fact South-South trade is capable of ridding Africa of dependency on exporting only primary commodities in order to enhance dynamism of African economic growth.

23. The meeting concluded debate of this agenda item by reiterating where the strength lay for prospects for trade in semi- and/or manufactured as well as semi-processed products. It therefore made the following recomendations:

(a) intensify programmes for production diversification;

(b) renew and implement policy measures and commitments both by African and other developing countries in order to make South-South trade in manufactures a reality;

(c) encourage greater mobilization of resources both domestically and internationally with a view to increasing investments for the production of semi-processed and semi-manufactured products so as to created sufficient surpluses to meet domestic and export demand;

(d) promote and encourage mutually advantageous joint ventures;

(e) create enabling economic climates in which the private and the public sectors would be able to play an effective role;

(f) make every effort to collect and store statistical data on Africa's imports and exports including matrix on intra-African, South-South trade and with the rest of the world;

(g) ensure strict quality control and international standards for processed and semi-processed African export products for South-South trade.

Agenda item 5(b): Consideration of the report "The Role of South-South Trade in Promoting Export Diversification and Development in Africa, Problems and Prospects

24. Under this item of the agenda, a representative of UNCTAD introduced a document entitled "South-South Trade and the Problem of Export Diversification in Africa". He outlined the overall picture of South-South trade drawing on the experience of African countries and their dependence on primary commodity exports. He then emphasized the need for export diversification by African countries.

25. He pointed out to the potential and role of South-South trade given the existing opportunities that had yet to be fully exploited by African countries. Africa's export share of total manufactures to the South had shown an increasing trend, although African countries were not dependent on South-South trade for exports of processed and semi-processed products. Highlighting some of the main constraints affecting the development of South-South trade in processed and semi-processed products, he included the high level of import taxation, the tendency of investment codes to favour imports from developed countries and the lack of trade financing machineries to facilitate payments and clearing arrangements. He concluded by emphasizing the important role which existing integration groupings would play to overcome some of the constraints hampering the expansion of South-South trade.

26. In discussing this topic, the meeting recognized that there were significant opportunities or mutually beneficial exchanges at the inter-regional level and that African countries should be able to take advantage of such opportunities to promote their export diversification effort. The meeting agreed that such effort could best be pursued within the context of the Generalized System of Trade Preferences among Developing Countries (GSTP) framework for the negotiation and exchange of trade concessions and for the promotion of trade at the inter-regional level. The meeting underlined the fact that the shortage or unavailability of trade financing was a key factor that seriously limited the ability of African countries to participate in and benefit from South-South trade and stressed the importance of making

every effort to resolve this problem. In this connection, UNCTAD's current Inter-Regional Trade Financing Project was welcomed.

27. On the basis of the above findings, the meeting recommended that African countries should:

(a) Determine as a matter of priority, how best they could participate in and benefit from the GSTP as a means of promoting export diversification and should where necessary, seek technical assistance to better enable them advance such a determination;

(b) Establish institutional infrastructure, where appropriate within the context of sub-regional and regional integration groupings, to investigate and develop joint project schemes, project co-ordination and technology transfer to facilitate South-South trade;

(c) Strengthen existing sub-regional and regional integration groupings in their efforts, to promote the exports of processed and semi-processed products in South-South trade;

(d) Urge regional financial institutions to assist South-South trade, particularly in Africa by creating a special window to finance exports; and

(e) Promote financial links among developing regions to facilitate payments arrangements in exports of processed and semi-processed products within the framework of South-South trade.

Agenda item 5(c): Consideration of the Report "Intra-African Trade Potential and Possible Programme of Action for the Promotion of Trade among Developing Countries"

28. Under this agenda item, the representative of ITC introduced the document entitled "Subregional trade potential in Africa South of the Sahara: a possible programme of action for the promotion of intra-African trade". He drew the attention of the meeting to the low level of Intra-African trade as not necessarily a

result of historic economic structures and dependencies as it was often assumed. Drawing on some of the studies carried out in recent times, it had been established that the potential for intra-African trade expansion was much larger than commonly presumed.

29. It was for this reason that trade promotion in Africa should be analysed at the subregional level taking account of existing "natural" trade patterns. The analysis of trade flows within existing subregional groupings, namely the Preferential Trade Area for Eastern and Southern African States (PTA), the Economic Community of West African States (ECOWAS) and the Economic Community of Central African States (ECCAS) had revealed that a large amount of goods were exported and imported subregionally confirming the existence of trade potentials within the subregions that could be developed to the advantage of its member countries. These could be achieved through the reduction of imports of "matching products" with consequent savings that in the case of PTA could be as high as 50 per cent of total imports.

30. In the case of countries of the ECOWAS group, trade-flow analysis revealed an existence of the same pattern as had been found among the PTA countries but with less diversification. This could also lead to savings in their total annual trade imports if their exports could be made available in sufficient quantities. Within the ECCAS subregion, it had been possible to identify some matching products which could have a saving of one-third of their hard currency spend on imports.

31. However, a number of constraints were being experienced in the expansion of that trade. Some of them related to both policy and market failures as well as absence of pertinent trade information for potential trade partners at the subregional level. In dealing with the issue of South-South trade, particularly Africa with other developing countries, the ITC representative referred to some of the evidence that showed that there were manufactured products could can be marketed, especially after studying the marketing environment before adopting required strategies.

32. During the debate which followed, participants proposed the inclusion of the following constraints to those highlighted in the background document:

- the existence of long-term traditional bilateral trading partners;

- consumer preferences;

- the existence of different currencies and their inconvertibility;

- underutilization of existing clearing houses;

- inadequacy of supply of processed goods;

- limited flow of trade information for both the businessmen and policy-makers within the subregion.

33. The experts therefore recommended that activities for the promotion of intra-African trade be undertaken along subregional lines as follows:

(a) Undertake trade flow analyses to identify products representing intra-subregional trade potential;

(b) In consultation with the business community and Government institutions in the countries concerned, select a number of products in which trade promotion efforts will be concentrated; product selection would also reflect national agricultural, mineral and industrial production development priorities, recognizing the fact that production development initiatives are rendered fruitless without the marketing dimension being adequately defined;

(c) Undertake detailed supply and demand surveys in the countries identified as potential exporters and importers, on a product by product and country by country basis;

(d) Organize buyer/seller meetings with participation of enterprises and individuals involved in the production and/or trade of the product concerned and who have been identified by the surveys; provide a facility for them to initiate negotiations;

(e) encourage participants in the buyer/seller meetings to report on existing obstacles to trade expansion in the product group concerned and formulate proposals for follow-up action; grouping such obstacles in two broad categories: (i) constraints arising from general policy and infrastructural issues including lack of sufficient incentives and export finance and transportation facilities; (ii) constraints related to the products themselves, such as poor design, quality or packaging and high production cost. Supply and demand surveys and buyer/seller meetings organized on a product by product basis, help to clearly isolate obstacles and therefore recommendations for their removal could be sharply focused, facilitating Government positive intervention and technical assistance inputs as required;

(f) provide for further follow-up actions in the form of marketing missions and sectoral and general trade fairs.

34. The meeting also agreed that the undertaking of supply and demand surveys as an in-depth approach to the promotion of trade in specific products between selected countries was needed. Complementary action was required to make the subregional marketing environment more transparent and to provide information on the whole range of tradeable products available in the subregions. To this end, the establishment of a trade information network ought to be considered. Such networks would have distinct features in the sense that they were designed to:

- "create" information, currently unavailable, specifically related to the subregional marketing environment, in the form of computerized data basis;
- provide a mechanism for the dissemination of this information.

Turning to the question of South-South trade, the meeting noted that levels of trade between Africa and other developing regions were lower than intra-regional exchanges as also that with the industrialized developed

countries. It, however, noted certain encouraging trends from the analysis of trade flows which revealed that considerable complementarities existed in prevailing supply and demand conditions of the various regions.

35. The meeting recommended that the promotion of trade between Africa and other developing countries be undertaken by adopting a product and country approach, similar to the one currently applied for the promotion of intra-African trade. In the initiative for the development and implementation of South-South trade promotion, activities should be taken by ECA, in cooperation with the other UN regional economic commissions also in close collaboration with other relevant international agencies such as UNCTAD and ITC.

Agenda Item: 6. Strategies and Measures for Enhancing South-South Trade in Manufactured Products

36. At the end of its debate on agenda items 4 and 5 the meeting discussed in depth likely appropriate strategies for promoting South-South trade in processed and semi-processed products. In carrying out this work, the experts made use of some of the contents of document E/ECA/TRADE/89/25/Rev.2 "The Addis Ababa Strategies for Revitalizing Africa's Trade Recovery and Growth in the 1990s" and came out with the following recommendations for submission to the forthcoming Conference of African Ministers of Trade.

NEW FRAMEWORK FOR INTRA-AFRICAN TRADE EXPANSION

37. The basic objective of the strategy for intra-African trade in the 1990s was to increase the share of intra-African trade to between 10 and 15 per cent of Africa's total trade by the year 2000. This would best be achieved by diversifying the production structures to increase the variety of goods for intra-African trade within the framework of sub-regional economic groupings. The emerging international economic situation suggested that one of the options which African countries had is to adopt appropriate policies to encourage trade within the framework of the subregional institutions. It was recognized that the resulting diversion of trade from traditional North-South channels to intra-African trade would be difficult to attain without some sacrifices to be made by the African countries. It was also possible

that new opportunities for trade creation may occur as the African economies attain higher levels of growth. The trade strategy within the framework of collective self-reliance would include the following activities:

(a) Comprehensive market research and analysis

38. The immediate objective of the strategy should be to undertake adequate market analysis and establish strong linkages between industrial and agricultural production on the one hand, and marketing and distribution on the other, to inter-alia, reduce the "under-utilized capacity" in African countries. In the search for an enabling environment, it is necessary to undertake comprehensive market research and analysis to determine the basis for co-operation taking into account the demand and supply (actual and potential), the structure of production and distribution in industry and agriculture, consumer preferences and habits and the purchasing power of the economies individually as well as collectively.

39. The strategy will ensure that the supply and quality of produced goods is consistent with the patterns of demand, especially in the existing sub-regional economic groupings. There is evidence to suggest that the high incidence of "under-utilized capacity" in a number of production lines in the African countries, is mainly due to the lack of adequate marketing research and analysis. Industrial and agricultural production should be planned in such a way as to thoroughly assess the variations in the demand patterns so as to determine whether a particular line of production would really serve the needs of the communities. Furthermore, it is essential to ensure that production and supply are planned on a subregional or multinational basis to match the demand with the existing or planned production units. The co-ordination of industrial and agricultural projects cannot, therefore, be effectively achieved without an analysis and appropriate adjustment of the market structures. To this extent, African business enterprises should be assisted by ITC and other relevant organizations at national level. For instance, the Raw Materials Research and Development Centre (RMDC) in Nigeria could with some assistance participate more effectively in trade promotion efforts, including participation in sub-

regional and all-Africa trade fairs, roundtables and business tours to other African countries to enhance intra-African trade.

(b) Restructuring domestic production in agriculture and industry

40. The long-term objective of the intra-African trade strategy is to restructure and harmonize production and distribution in industry and agriculture at the subregional level consistent with the aim of collective self-reliance. This will involve the co-ordination of economic policies and planning mechanisms to ensure a rapid rate of industrial production for intra-African trade expansion to take advantage of trade liberalization policies and instruments identified in (c) below. To this end, domestic production in agriculture and industry should be restructured so as to widen the base for exchanges and to provide adequate and high quality goods at competitive prices. This condition holds true for all modes of sub-regional trading arrangements and is of universal applicability in the development and expansion of the base for co-operation in trade at the African level.

(c) Intra-African trade liberalization of domestically-produced goods

41. There is need to support the structures and policy instruments laid down in (a) and (b) above, and to create in the short-term an enabling environment through more effective programmes for intra-African trade liberalization and customs co-operation arrangements. Although it has long been recognized that the imposition of import duties and other restrictions on trade among African countries are major obstacles to fruitful trade co-operation in Africa, difficulties are still being encountered in implementing trade liberalization programmes. It should be recognized, however, that these restrictions are, by their very nature, harmful to both the countries imposing them as well as those countries against whom they are imposed. Therefore, generally acceptable techniques for intra-African trade liberalization in domestically-produced goods should be devised.

42. The framework for intra-African trade liberalization will embrace the following basic principles:

(i) granting "most-favoured-nation" treatment to goods originating in other African countries, including preferences on industrial and agricultural products;

(ii) commitment to remove tariffs and non-tariff barriers now imposed on goods produced in other African countries; and

(iii) developing an effective system to compensate countries for the loss arising out of the gradual removal of all barriers and restrictions on the movement of goods and services among groups of countries, this can best be achieved through the increased use of the machinery already in place such as the sub-regional economic groupings as a basis for intra-African trade, these measures will have the effect of increasing opportunities for the establishment of the new multinational production and marketing enterprises within the groupings, thereby ensuring a fair and equitable distribution of gains from co-operation in trade.

(d) The African Common Market

43. The work towards establishing the African Common Market as called for in the Lagos Plan of Action, should be accelerated as a matter of top priority within the framework of the proposed African Economic Community. In order to achieve this objective, collaborative action should be taken as of now to include the following:

(i) Co-ordination of the strategies, policies and programmes for economic and social development as a basis for strengthening subregional economic groupings and accelerating the establishment of an African Common Market;

(ii) The establishment of subregional commodity exchanges to provide up-to-date information on the supply and demand for African products traded at the African level, including raw materials;

(iii) Significant improvements in the exchange of intra-African trade information and experiences within sub-regional groupings through the adoption of comprehensive trade information networks utilizing electronic data processing and other modern techniques. More specifically, information should be provided to African traders for the supply of goods and services offered by or originating from other African countries

(iv) The creation or rehabilitation of inter-country roads, railway, and telephone links likely to encourage the growth of intra-African trade with particular emphasis on feeder and access roads permitting easier transportation of rural produce to the market; and the use of African airlines and shipping lines to increase the freighting and transportation of goods for intra-African trade;

(v) Providing information on appropriate pricing policies and other incentives designed to encourage intra-African trade, especially in food and food products;

(vi) Supporting the African business enterprises to participate more effectively in the subregional and the All-Africa Trade Fairs, including the removal of man-made obstacles to the movement of exhibits at these fairs.

(e) Linkage between intra-African trade and other sectors

44. In order to alleviate the existing weakness in institutional structures, our governments will put in place appropriate mechanisms to enable trade to be linked within national development plans through macro-marketing policy approach. Steps will be taken by our governments to link trade development with progress in other sectors such as industry, agriculture, education and training, transport and communications.

(f) Creating the enabling environment for private sector participation

45. The strategy recognizes the immediate need to enhance the role of the private sector in the development and expansion of intra-Africa trade. Therefore, new measures

or mechanisms will be devised to provide incentives and support structures to encourage more effective participation of the private sector in intra-African trade promotion and expansion including provision of relevant information to private traders to the largest extent possible, and extend invitation to them to attend meetings. To this end, national, subregional and regional federations of chambers of commerce, industry and mines, and more specifically, the Federation of African Chambers of Commerce should be given the opportunity to contribute to the decision-making process for intra-African trade.

(g) Increasing counter trade exchanges

46. In the short-term, counter-trade, especially in raw materials and food, is recognized as a factor for reducing the need for foreign exchange for intra-African trade and should be encouraged. Therefore, the potentials for such trade should be determined. It is important to establish a list of goods to be exchanged under counter-trade arrangements as well as modalities under which such trade should take place.

(h) Enhancing women's participation in trade

47. In order to fully address these problems in the 1990s, the following strategy for enhancing the role of women in trade has been designed bearing in mind the Arusha Strategies for the Integration of Women in Development and the Nairobi Forward-Looking Strategies for the Advancement of Women. Accordingly, in order to encourage more effective partipation of women in trade, African countries should adopt the following strategies:

(i) provide adequate support to women in trade in order to ameliorate the legal, social, economic, religious and cultural constraints that have been major impediments to the effective participation of women in this sector as well as in small-scale and agro-industries.

Furthermore, mechanisms for the co-ordination of the fragmented entrepreneurial skills both for rural and urban women will be vigorously pursued. Support in the provision of market sheds, access to raw materials, investment in knowledge, and up-grading of skills in small-scale and agro-industries, deserve immediate attention;

(ii) improve the weak and fragile financial base through appropriate policy measures, including providing adequate collateral in order to enhance women's access to credit and capital. In this respect, a new framework will need to be devised to enable banks to shift their emphasis from automatic collateral requirements to criteria of profitability of the investment. Furthermore, to improve women's access to credit, the possibility of establishing women's co-operative financial institutions will be explored as well as the possibility of creating within existing financial institutions "special windows" that can provide financial services to women;

(iii) Improving the environment for small-scale women traders, business enterprises, small-holder and medium-scale farmers of marketable goods, including handicrafts. Identify economically viable business projects and develop business projects into self-sufficient profitable entity through good management and access to science and technology;

(iv) Encourage women to establish co-operative enterprises, which will allow them to "pool" their resources for investment, improve their collateral and also spread the business risks among members;

(v) Provide the necessary training and skills upgrading needed to improve the productivity of women's enterprises and their participation in trade as well as high level management programmes for women entrepreneurs so as to improve capacity building necessary for trade promotion and trade expansion.

(i) Policy instruments for trade financing

48. It is necessary to put in place the following appropriate financial support framework, taking into account the required linkages between production, processing, marketing and distribution. The strategy also underscores the role of monetary and financial cooperation in promoting trade:

(i) Establishment at national, subregional, and regional levels of specialized financial institutions to support the trade sector. The PTA Trade and Development Bank and ECO Bank are examples of such specialized financial institutions;

(ii) Strengthening existing subregional clearing and payments arrangements in order to increase the volume of transactions passing through such institutions and thereby reduce Africa's heavy dependency on 'hard currencies' for its trade. In addition, steps should be taken to establish the North African Clearing and Payments Arrangements, which is the only missing link for the establishment of an African Clearing and Payments Unions;

(iii) Specialized financial institutions should be established to provide short and medium-term finance to the trade sector including export pre-financing and post export finance, as well as export insurance. To this end, the efforts of the African Development Bank to establish an African Export-Import Bank are indeed welcome, and so are the efforts by some African countries to establish national Export-Import Banks, countries such as Algeria, Egypt, Kenya, Zambia, Zimbabwe and Zaire, among others and also to use the ADB Export Stimulating Facility;

(iv) Transnational banks and local commercial banks should be encouraged to allocate more financial resources to the support of indigenous

entrepreneurs and traders, particularly small-and-medium scale business with special emphasis on trade promotion activities;

(v) Governments should allocate increased resources to the support of the trade sector within the framework of their annual budgets; they should also establish export guarantee schemes which are an important element of a modernized trade sector. It is also important to pay particular attention to the service sectors, such as transportation, on which the trade sector is heavily dependent;

REVITALIZING SOUTH-SOUTH TRADE

50. In order to reverse the disappointing trends in Africa's trade with other developing regions, experienced during the 1980s, Africa needs to adopt a new trade strategy as outlined in the Lagos Plan of Action. The revitalization of the African export sector has to be accorded the highest priority in the strategies for adjustment and transformation. The basic elements of such strategy include:

(a) significant decrease in dependence on exports of agricultural and mineral primary commodities;

(b) significant improvements in export earnings;

(c) increased South-South trade and economic co-operation.

(a) Decreasing the dependence on primary commodities

51. In the 1990s, there should be a significant decrease in Africa's dependence on exports of agricultural and mineral primary commodities. To this end, the strategy will include the following aspects:

(i) A new dialogue with transnational corporations (TNC) to mutually agree to reverse the trends in the extractive and mining industries which now concentrate on exporting crude minerals while only a small amount of processing was undertaken. To this end, a new compact will be reached concerning the sharing of control of the processing, and distribution of African

entrepreneurs and traders, particularly small-and-medium scale business with special emphasis on trade promotion activities;

(v) Governments should allocate increased resources to the support of the trade sector within the framework of their annual budgets; they should also establish export guarantee schemes which are an important element of a modernized trade sector. It is also important to pay particular attention to the service sectors, such as transportation, on which the trade sector is heavily dependent;

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(i) A new dialogue with transnational corporations (TNC) to mutually agree to reverse the trends in the extractive and mining industries which now concentrate on exporting crude minerals while only a small amount of processing was undertaken. To this end, a new compact will be reached concerning the sharing of control of the processing, and distribution of African primary commodities so as to make African Governments less vulnerable to international changes in pricing and exports of such commodities. New measures will also be taken to increase the use of science and technology and research and development (R & D) to increase the manufacture and semi-manufacture of goods for exports to the rest of the world;

(ii) New and more vigorous demand and supply and marketing studies in the industrialized countries to identify patterns that can be matched against specific African produced goods and services. In doing so, special attention will be given to the quality of the goods, price competitiveness, packaging and merchandizing as well as international trade facilitation requirements. Efforts should also be made by African countries to engage in direct marketing of their products and to reduce the use of intermediaries;

(iii) Comprehensive studies of the patterns of trade in these synthetic substitutes that threaten African primary commodities, as well as the structure of trade in primary commodities among the industrialized countries so as to determine their impacts on the African structures of production and distribution;

(iv) Provide the business community with appropriate economic and political environment conducive to export promotion and diversification, including such measures as the introduction of export insurance and credit schemes, tax exemption for manufacture and semi-manufacture exporters, appropriate pricing policies as well as reinforcing export support institutions.

(b) Significant improvement in Africa's export earnings

52. A critical element of our strategy is to halt the declining trends in Africa's export earnings as a matter of urgency. To this end, our governments will increase their capacities to understand the working of international market mechanisms and how these are manipulated by foreign firms and transnationals, through pricing mechanisms, and shifts in supply functions to respond to anticipated demand. Trade strategies will be restructured with a view to facilitating the penetration of international markets at higher remunerative levels. This will be achieved through the following:

(i) The intensification of efforts to diversify the export production, seeking to develop new products especially those that can readily be identified as "African" and to identify markets for them; encourage further processing of agricultural and mineral commodities and expand the process of industrialization; the adoption of measures to promote horizontal and vertical diversification of exports that would require provision of concessional financing to expand the processing capacity for agricultural primary commodities and minerals;

(ii) definition of the framework for new joint venture agreements, involving foreign as well as local investors and manufactures, under which new product brands are to be produced and exported; including measures to encourage direct industrial investment through, inter alia, simplifying investment codes, administrative procedures and regulations govering foreign investment;

(iii) creation, where appropriate, of "export processing zones" or "free trade areas" that would contribute to effective promotion of manufacture and semi-manufacture exports;

(iv) adoption of a more aggressive export promotion drive through the preparation of an inventory

of Africa's products to be subjected to a realistic policy to ensure more competitiveness of African goods in the world markets, taking advantage of possible price increases for such products; and systematic improvement of the cost structures of African exports, especially port facilities, shipping and air-freighting, intermediaries, and trade representation so as to identify areas where cost reductions could be achieved. This would immediately improve the "retained value" of Africa's exports as well as their competitiveness.

(c) Enhancing South-South trade and economic co-operation

53. In order to promote South-South trade and co-operation and thereby foster growth of the manufacturing sector in Africa, the following strategies are for immediate implementation:

(i) in the light of the Caracas Programme of Action on Economic Co-operation, African sub-regional economic groupings should study ways of creating preferential trade regimes between Africa and other developing regions pursuant to the Global System of Trade Preferences among Developed Countries (GSTP);

(ii) Appropriate mechanisms for improving inter-regional monetary and financial arrangements will be devised in co-operation with relevant organizations from other developing regions in order to eventually create multilateral clearing arrangements for interregional trade facilitation and greatly enhance such trade; initiatives already undertaken in this area will be supported;

(iii) Improve the flow and exchange of trade information to enable the expansion and promotion of interregional trade. Similarly, communications services among developing countries should be significantly improved;

(iv) State Trading Organizations (STOs), national trade promotion organizations as well as chambers of commerce and industry, should link their demand for goods and services with the supply by their counterparts in the other developing regions, including possibilities of exploitation of counter-trade opportunities where mutually beneficial;

(v) Ministers responsible for transport and communications, with the full co-operation of other relevant ministries are requested to ensure more reliable systems for South-South trade using where available, national carriers of participating countries.

Agenda Item 8: Any Other Business

53. The Experts having considered draft report on Addis Ababa Strategies for Revitalizing Africa's Trade, Recovery and Growth in the 1990s recommended that the Ministers of Trade should undertake consultations at the national levels with other Ministries and national bodies responsible for trade matters in order to reflect the views of all concerned to be incorporated in this strategy.

Agenda Item 9: Adoption of the Report and Closure of the Meeting

55. At the end of its deliberations the meeting adopted the present report.

56. After the adoption of the report, the Chairman concluded by expressing appreciation to all the participants and the secretariat for their contributions to the success of the meeting. He then declared the meeting closed.